

TOWN OF GARDEN CITY

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2006

**GARY H. TEUSCHER
Certified Public Accountant
110 North 8th Street
Montpelier, Idaho 83254**

TOWN OF GARDEN CITY
Annual Financial Audit

For the Year ended June 30, 2006

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GARY H. TEUSCHER
Certified Public Accountant
110 North 8th Street
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Town of Garden City
Garden City, Utah 84028

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Garden City, Utah, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *GOVERNMENT AUDITING STANDARDS*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

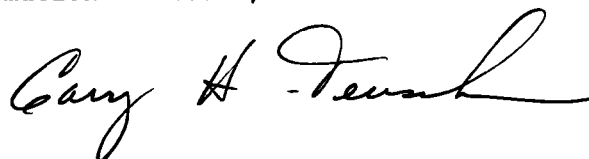
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Garden City, Utah, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *GOVERNMENT AUDITING STANDARDS*, I have also issued my report dated December 12, 2006, on my consideration of the Town of Garden City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *GOVERNMENT AUDITING STANDARDS* and should be considered in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis listed in the table of contents is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

December 12, 2006



**TOWN OF GARDEN CITY
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2006**

This discussion of the Town of Garden City's financial performance provides an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, highways and streets, water system, culture and recreation.

FINANCIAL HIGHLIGHTS

The assets of the Town exceeded its liabilities as of the close of the most recent year by \$2,812,292 (net assets). Of this amount, \$1,475,667 (unrestricted net assets) is available to meet its ongoing obligations to citizens and creditors.

The government's total net assets increased by \$588,273. At the close of the current year, the Town's governmental funds reported ending fund balance of \$1,582,624 an increase of \$682,156 in comparison with the prior year. Approximately 56% of this total amount, or \$901,884 is available for spending at the government's discretion (unreserved fund balance).

At the end of the current year, unreserved fund balance for the governmental funds was \$901,884 or 137% of total governmental expenditures.

The Town's total debt increased by \$625,213 during the current year due to the bonds sold by the Town for the Buttercup project (\$416,000) and the water project (\$254,000).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business. These statements consist of the Statement of Net Assets and the Statement of Activities. The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are recorded on the accrual basis as soon as the underlying event occurs that gives rise to the change. All of the current year's revenues and expenses are taken into account regardless of when cash is received.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

A *Fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds as well as balances of spendable resources available at the end of the year. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund operations provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance Town programs.

The Town maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds. The Town adopts an annual appropriated budget for its governmental funds.

Proprietary Funds

The Town maintains one proprietary fund, the enterprise or waterworks fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The Town uses an enterprise fund to account for culinary water operations.

Notes to the Financial Statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Governmental Activities		Business-type Activities	
	2005	2006	2005	2006
Current Assets	910,682	1,630,427	466,878	683,261
Capital Assets	<u>526,061</u>	<u>737,850</u>	<u>1,000,754</u>	<u>1,107,102</u>
Total Assets	<u>1,436,743</u>	<u>2,368,277</u>	<u>1,467,632</u>	<u>1,790,363</u>
Current Liabilities	10,214	47,803	8,288	11,478
Non-current Liabilities	-	-	<u>661,854</u>	<u>883,200</u>
Total Liabilities	10,214	47,803	670,142	894,678
Net Assets				
Investment in capital assets, net of related debt	526,061	333,983	338,900	223,902
Restricted	237,238	680,740	98,000	98,000
Unrestricted	<u>663,230</u>	<u>901,884</u>	<u>360,590</u>	<u>573,783</u>
Total Net Assets	<u>1,426,529</u>	<u>1,916,607</u>	<u>797,490</u>	<u>895,685</u>
Total Liabilities and Net Assets	<u>1,436,743</u>	<u>2,368,277</u>	<u>1,467,632</u>	<u>1,790,363</u>
		2005	2006	
Total Combined Net Assets		<u>2,224,019</u>	<u>2,812,292</u>	

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Garden City, assets exceeded liabilities by \$2,812,292 at the close of the most recent fiscal year. A large portion of the Town's assets \$557,885 or (20%) reflects its investment in capital assets (i.e. land, buildings, equipment, machinery and infrastructure), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets \$778,740 or (28%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,475,667) or (52%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Revenues				
Charges for Service	200,845	313,573	224,142	225,638
Operating Grants and Contributions	51,631	20,754	-	-
Capital Grants and Contributions	93,255	146,553	-	-
General Revenues				
Property Taxes	170,153	171,986		
Sales Taxes	78,627	101,667		
Resort Taxes	80,244	104,306		
Liquor Tax	1,587	1,941		
Interest	14,096	53,726	9,909	18,857
Other Revenues	11,229	17,562	22,836	97,240
Transfer (net)	<u>27,586</u>	<u>-</u>	<u>(27,586)</u>	<u>-</u>
Total Revenues	729,253	932,068	229,301	341,735
Expenses				
General Government	254,115	339,465		
Public Safety	20,562	8,966		
Highway and Streets	37,593	49,509		
Culture and Recreation	32,912	44,050		
Water		-	163,750	211,176
Interest on Debt	<u>-</u>	<u>-</u>	<u>33,865</u>	<u>32,364</u>
Total Expense	<u>345,182</u>	<u>441,990</u>	<u>197,615</u>	<u>243,540</u>
Changes in Net Assets	384,071	490,078	31,686	98,195
Net Assets-Beginning	<u>1,042,458</u>	<u>1,426,529</u>	<u>765,804</u>	<u>797,490</u>
Net Assets-End of Year	<u>1,426,529</u>	<u>1,916,607</u>	<u>797,490</u>	<u>895,685</u>

FINANCIAL ANALYSIS OF GARDEN CITY'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financial requirements.

As of June 30, 2006, the Town's governmental funds (General, Special Revenue and Capital Projects) reported combined fund balances of \$1,582,624. This represents an increase of \$682,156 over last years ending balances.

The general fund is the chief operating fund of the town. All activities which are not required to be accounted for in separate funds whether by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the general fund and represent 35% of total general fund revenues. The components of taxes are property, sales, and resort tax.

Total governmental activities revenues amounted to \$932,068, which is made up of taxes (40%), intergovernmental sources (7%), charges for services (29%). The remaining (24%) is from licenses and permits, contributions and investment earnings.

Total governmental activities expenses were \$653,779. The following functions accounted for the majority of the expenses: general government (53%), highways and streets (6%), and culture and recreation (6%). The remaining amount of (35%) is made up of public safety and capital outlay.

The Town maintains one enterprise fund to account for business-type activities of the Town. Total business-type activities revenue was \$341,735. Total business-type activities expenses were \$211,176 with personnel related costs of \$35,419, system operating costs \$56,075, repairs and maintenance \$60,558, depreciation \$59,124, and bond payments and interest costs \$65,018.

Significant changes in business-type activities include the cost of supplies and water samples, etc., due to the testing to determine if a new treatment plant is required.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were more than budgeted revenues by \$225,883 and actual expenditures were more than budgeted expenditures by \$83,402 resulting in a net increase in fund balance of \$150,481.

CAPITAL ASSETS

The Town's investment in capital assets, net of depreciation for its governmental and business-type activities as of June 30, 2006, was \$1,844,952. This investment in capital assets includes land, buildings, infrastructure, machinery and equipment. The total increase in the Town's investment in capital assets, net of depreciation for the current year was \$318,137.

Major capital asset events during the current year included the following:

- Purchase of Land
- Construction, and repair of sidewalks, and road improvements
- Water line replacement and extensions
- New vehicles
- Park maintenance and repair
- Bike path maintenance and repair

Garden City's Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Land and Other Assets	52,083	244,821	25,879	25,879
Buildings and Improvements	156,512	162,607	19,239	18,371
Infrastructure	276,486	268,219	938,142	1,047,857
Machinery & Equipment	<u>40,981</u>	<u>62,203</u>	<u>17,494</u>	<u>14,995</u>
Total:	<u>526,062</u>	<u>737,850</u>	<u>1,000,754</u>	<u>1,107,102</u>

Additional information on the Town's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At the end of the current year, the Town had a total bonded debt outstanding of \$883,200.

Garden City's Long-Term Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
Notes Payable	0	0	0	
Bonds Payable	0	403,867	628,886	857,250.34
CIB	<u>0</u>	<u>0</u>	<u>32,968</u>	<u>25,949.86</u>
Total Long-Term Debt:	<u>0</u>	<u>403,867</u>	<u>661,854</u>	<u>883,200.20</u>

Additional information on the Town's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Garden City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Garden City Office, PO Box 207, Garden City, Utah 84028, 435-946-2901.

TOWN OF GARDEN CITY
STATEMENT OF NET ASSETS

June 30, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	1,478,249	674,837	2,153,086
Receivables, Net of Allowance For Uncollectibles	150,543	8,424	158,967
Internal Balances	<u>1,635</u>	<u>-</u>	<u>1,635</u>
Total Current Assets	1,630,427	683,261	2,313,688
Capital Assets, Net of Depreciation			
Land	244,821	25,879	270,700
Buildings and Improvements	162,607	18,371	180,978
Machinery and Equipment	62,203	14,995	77,198
Infrastructure	<u>268,219</u>	<u>1,047,857</u>	<u>1,316,076</u>
Total Capital Assets	<u>737,850</u>	<u>1,107,102</u>	<u>1,844,952</u>
Total Assets	<u>2,368,277</u>	<u>1,790,363</u>	<u>4,158,640</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	47,803	4,177	51,980
Internal Balance	-	1,635	1,635
Interest Payable	<u>-</u>	<u>5,666</u>	<u>5,666</u>
Total Current Liabilities	<u>47,803</u>	<u>11,478</u>	<u>59,281</u>
Noncurrent Liabilities:			
Due within one year	18,374	33,938	52,312
Due in more than one year	<u>385,493</u>	<u>849,262</u>	<u>1,234,755</u>
Total Noncurrent Liabilities	<u>403,867</u>	<u>883,200</u>	<u>1,287,067</u>
Total Liabilities	<u>451,670</u>	<u>894,678</u>	<u>1,346,348</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	333,983	223,902	557,885
Restricted:			
Roads	152,792		152,792
Capital Project	527,948		527,948
Debt Service		98,000	98,000
Unrestricted	<u>901,884</u>	<u>573,783</u>	<u>1,475,667</u>
Total Net Assets	<u>1,916,607</u>	<u>895,685</u>	<u>2,812,292</u>

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2006

	Program Revenues		Capital		Net (Expense) Revenue And Changes in Net Assets	
	Charges for Services	Operating Grants and Contribution	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs	Expenses					
Governmental Activities:						
General Government	339,465	297,790	14,934	(26,741)		(26,741)
Public Safety	8,966			(8,966)		(8,966)
Highway and Streets	49,509	17,308	69,982	37,781		37,781
Culture and Recreation	44,050	15,783	61,637	36,816		36,816
Total Government Activities	441,920	313,573	146,553	38,890		38,890
Business-Type Activities:						
Water Works	211,176	225,638			14,462	14,462
Debt Service:						
Interest and Fiscal Charges	32,364				(32,364)	(32,364)
Total Business-Type Activities	243,540	225,638			(17,902)	(17,902)
Total Primary Government	685,530	539,211	146,553	38,890	(17,902)	20,988
General Revenues:						
Property Taxes				171,986		171,986
Sales Taxes				101,667		101,667
Resort Taxes				104,306		104,306
Liquor Tax				1,941		1,941
Interest				53,726	18,857	72,583
Impact Fees				17,413	97,132	114,545
Other Miscellaneous				149	108	257
Transfers						
Total General Revenue & Transfers				451,188	116,097	567,285
Change in Net Assets				490,078	98,195	588,273
Restated Net Assets - Beginning				1,426,529	797,490	2,224,019
Net Assets - Ending				1,916,607	895,685	2,812,292

The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2006

				Total
				Governmental
<u>Assets</u>	<u>General</u>	<u>Special</u>	<u>Capital</u>	<u>Funds</u>
Cash	667,147	105,107	553,203	1,325,457
Notes Receivable		150,543		150,543
Internal Balance	1,635			1,635
<u>Restricted Assets</u>				
Cash	<u>152,792</u>			<u>152,792</u>
Total Assets	<u>821,574</u>	<u>255,650</u>	<u>553,203</u>	<u>1,630,427</u>
<u>Liabilities & Fund Balances</u>				
<u>Liabilities</u>				
Vouchers Payable	22,548		25,255	47,803
Internal Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>22,548</u>	<u>-</u>	<u>25,255</u>	<u>47,803</u>
<u>Fund Balance</u>				
Reserved for:				
Roads	152,792			152,792
Capital Projects			527,948	527,948
Undesignated	<u>646,234</u>	<u>255,650</u>	<u>-</u>	<u>901,884</u>
Total Fund Balances	<u>799,026</u>	<u>255,650</u>	<u>527,948</u>	1,582,624
Total Liabilities & Fund Balances	<u>821,574</u>	<u>255,650</u>	<u>553,203</u>	

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF
NET ASSETS (GOVERNMENTAL FUNDS)

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are
not financial resources and therefore are not reported
in the governmental funds.

737,850

Long-term Liabilities are not due and payable in the
current period and therefore are not reported in the
governmental funds.

(403,867)

Net Assets of Governmental Activities

1,916,607

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
<u>Revenue:</u>				
Taxes	257,500	120,609		378,109
Licenses and Permits	153,617			153,617
Intergovernmental Revenues	70,210			70,210
Charges for Services	214,924		61,482	276,406
Interest - Miscellaneous	<u>34,953</u>	<u>15,003</u>	<u>3,770</u>	<u>53,726</u>
Total Revenue	<u>731,204</u>	<u>135,612</u>	<u>65,252</u>	<u>932,068</u>
<u>Expenditures:</u>				
General Government	302,098	47,439		349,537
Public Safety	8,966	-		8,966
Highways and Streets	13,900	-		13,900
Culture and Recreation	39,567	-		39,567
Capital Outlay	<u>216,192</u>	<u>-</u>	<u>25,617</u>	<u>241,809</u>
Total Expenditures	<u>580,723</u>	<u>47,439</u>	<u>25,617</u>	<u>653,779</u>
Excess Revenue(Expenditure)	150,481	88,173	39,635	278,289
<u>Other Financing Sources(Uses):</u>				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>403,867</u>	<u>403,867</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>403,867</u>	<u>403,867</u>
Net Change in Fund Balances	<u>150,481</u>	<u>88,173</u>	<u>443,502</u>	<u>682,156</u>
Fund Balance - Beginning	<u>648,545</u>	<u>167,477</u>	<u>84,446</u>	<u>900,468</u>
Fund Balance - Ending	<u>799,026</u>	<u>255,650</u>	<u>527,948</u>	<u>1,582,624</u>

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Net Change in Fund Balance -	
Total Governmental Funds	682,156

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	235,692	
Depreciation Expense	<u>(23,903)</u>	
Excess of Depreciation Expense over Capital Outlay		211,789

Revenues from borrowing is reflected in the governmental fund as an other financing source. This amount should be reported as a liability in the Statement of Activities.

Net amount borrowed	(416,000)	
Repayments	<u>12,133</u>	
Net amount		(403,867)

Change in Net Assets of Governmental Activities	<u>490,078</u>
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*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2006

	<u>Proprietary Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	674,837
Receivables, Net of Allowance For Uncollectibles	<u>8,424</u>
Total Current Assets	683,261
Capital Assets, Net of Depreciation	
Land	25,879
Buildings and Improvements	18,371
Machinery and Equipment	14,995
Infrastructure	<u>1,047,857</u>
Total Capital Assets	<u>1,107,102</u>
Total Assets	<u>1,790,363</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	4,177
Internal Balance	1,635
Interest Payable	<u>5,666</u>
Total Current Liabilities	<u>11,478</u>
Noncurrent Liabilities:	
Due within one year	33,938
Due in more than one year	<u>849,262</u>
Total Noncurrent Liabilities	<u>883,200</u>
Total Liabilities	<u>894,678</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	223,902
Restricted:	
Debt Service	98,000
Unrestricted	<u>573,783</u>
Total Net Assets	<u>895,685</u>

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Proprietary Fund</u>
<u>Operating Revenue</u>	
Total Operating Revenue	<u>225,638</u>
<u>Operating Expenses</u>	
Salaries - Payroll Tax	35,419
Contractual Services	56,075
Depreciation	59,124
Water Maintenance & Development	<u>60,558</u>
Total Operating Expenses	<u>211,176</u>
Operating Income (Loss)	<u>14,462</u>
<u>Non-Operating Revenues (Expenses)</u>	
Impact Fees	97,132
Interest Revenue	18,857
Other Income	108
Interest Expenses and Fiscal Charges	<u>(32,364)</u>
Total Non-Operating Revenue (Expenses)	<u>83,733</u>
Income (Loss) before Operating Transfers	98,195
<u>Transfers Out</u>	<u>-</u>
Change in Net Assets	98,195
Total Net Assets - Beginning	<u>797,490</u>
Total Net Assets - Ending	<u>895,685</u>

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2006

	Proprietary Fund
Cash flows from Operations:	
Cash received from customers	235,097
Cash payments to suppliers	(114,698)
Cash Payments to employees	(28,754)
Net Cash provided by Operating Activities	<u>91,645</u>
Cash flows from non capital financing activities:	
Impact Fees	97,132
Other Income	<u>108</u>
Net Cash Provided by Non Capital Financing Activities	<u>97,240</u>
Cash flows from capital related financing activities:	
New Loan	254,000
Project Costs	(165,473)
Principal paid	(32,653)
Interest and fiscal charges paid	(32,745)
Net cash used for capital and related financing activities	<u>23,129</u>
Cash flows from investing activities:	
Interest on investments	<u>18,857</u>
Net cash from investing activities	<u>18,857</u>
Net increase in cash and cash equivalents	230,871
Balances - beginning of year	<u>443,966</u>
Balances - end of year	<u>674,837</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating Income (loss)	14,462
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	59,124
Changes in assets and liabilities:	
Receivables (Net)	14,488
Accounts Payable	<u>3,571</u>
Net cash provided by operating activities	<u>91,645</u>

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Garden City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standardsetting body for establishing governmental accounting and financial reporting principles. For the reporting year, the Town has implemented GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Significant Town accounting policies are described below.

The Town's financial statements includes the accounts of all operations. The accounting policies of the Town conform to generally accepted accounting principles as applicable to governments. The following is a summary of such significant policies:

A. Financial Reporting Entity

The Town of Garden City is chartered under the laws of the State of Utah. The Town is presently governed by a Mayor/Council form of Government and provides the following services: public improvements, streets, planning and zoning, water, and general administrative services.

The financial statements of the Town consist of the funds of the Town and its Redevelopment Agency. The Town has no oversight responsibility for any other governmental entity, except the RDA, since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The RDA is shown as the Special Revenue Fund.

B. Government-Wide Statements and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and any component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

General Fund - the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue - RDA Fund
Capital Projects

The Town reports the following major proprietary funds:

Water Fund - Accounts for all water revenue and expenditures.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally results from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental accounting Standards Board.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Cash includes amounts in demand deposits as well as highly liquid investments with maturity dates of thirty days or less.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans), or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental-wide financial statements as "internal balances."

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

3. Inventory

Inventories of fuel, supplies, etc., are immaterial and are not recorded. Expenditures are recognized in the fund when purchased.

4. Property Taxes

Property tax revenue of the Town of Garden City is levied, collected, and distributed by Rich County, as required by state law. Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess property as of January 1st, and complete the tax rolls by May 15th. By July 21st, the county Treasurer is to mail notices of assessed value to property owners. A taxpayer may then petition the County Board of Equalization between August 1st and August 15th, for a revision of the assessed value. Approved changes in assessed value are made by the County Auditor by October 15th. By November 1st, the Auditor is to deliver the completed assessment rolls to the State Treasurer. Real property tax notices are mailed with a due date of November 30th. Real property tax for the calendar year 2005 is included in revenues for the year ending June 30, 2006. Vehicle property taxes are due on a staggered basis throughout the year and are recorded when received.

As of June 30, 2006, real property taxes assessed but uncollected for calendar 2005 and earlier are delinquent property taxes. It is expected that all delinquencies and accrued interest will be collected within a five-year period during which time, the County Treasurer may force sale of property to collect the delinquent taxes.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of over one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Life in Years</u>
Buildings	15-50
Improvements	20-35
Equipment	2-15
Vehicles	3-7

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements. Prior to June 30, the Town holds hearings on a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

During the fiscal year, the Council of the Town may amend the annual appropriated budget by unanimous resolution in case of an emergency, through the courts, or by the budget hearing process. The appropriated budget can only be increased by an amount equal to unanticipated revenues. In no event can property taxes be increased. Management at departmental level does not have authority to amend the budget.

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

B. Accumulated Unpaid Vacation, Sick Pay and Other Employee Benefit Amounts
Employees accrue vacation and personal leave at differing rates. It is the Town's policy to permit employees to carry up to 20 days of vacation and personal leave from one calendar year to the next.

III. DETAILED NOTE ON ALL FUNDS

A. Long Term Debt

Changes in General Long Term Debt

	7-1-05 Beginning Balance	Additions	Reductions Made	6-30-06 Ending Balance
Special Assessment Bonds	-	416,000.00	12,133.00	403,867.00

Changes in Proprietary Bonded Debt

	7-1-05 Beginning Balance	Additions	Reductions Made	6-30-06 Ending Balance
Bond #9101	367,751.39		15,380.42	352,370.97
Bond #9103	261,134.64		10,255.27	250,879.37
CIB Loan	32,967.68		7,017.82	25,949.86
SCSLWP	-	254,000.00	-	254,000.00
	<u>661,853.71</u>	<u>254,000.00</u>	<u>32,653.51</u>	<u>883,200.20</u>

1. Special Assessment Bonds (Buttercup Project) Series 2006
The Garden City, Utah Buttercup Project Special Improvement District was formed July 14, 2005 to improve roads and sewer and water connections. In June of 2006, it authorized and sold Special Assessment Bonds in the amount of \$416,000.00 payable over 15 years. Each resident of the Special Improvement District will pay either an up front assessment or a prorated amount over the term of the bonds to pay for the bonds.

Date	Principal	Interest	Total Principle & Interest	Balance
6-01-07	18,374.00	18,609.35	36,983.35	385,493.00
6-01-08	17,900.00	19,195.80	37,095.80	367,593.00
6-01-09	18,800.00	18,238.15	37,038.15	348,793.00
6-01-10	18,800.00	17,232.35	37,032.35	328,993.00
6-01-11	20,900.00	16,173.05	37,073.05	308,093.00
Remaining	<u>308,093.00</u>	<u>89,259.40</u>	<u>397,352.40</u>	-
Total	<u>403,867.00</u>	<u>178,708.10</u>	<u>582,575.10</u>	-

2. General Obligation Bond #9103
These bonds payable are the obligation of the Town. These were originally secured by notes receivable from various land developers. (see note 3). These bonds are payable to the USDA Rural Development at the rate of \$23,312 annually including interest at five percent (5%). The balance of the bond payable at 6-30-06, was \$250,879.37. This obligation bond was transferred to the Water Fund as of 7-1-94. The Town felt that most of the payment was coming from Water Fund Revenues with the balance from payments received on notes receivable paid by developers.

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

3. Revenue Bond #9101

These bonds payable included in the Enterprise fund are payable to the USDA Rural Development at the rate of \$2,785 monthly including interest at five percent (5%). These bonds are to be paid from water assessments. The amount of the bonds payable at 6-30-06, was \$352,370.97.

4. Revenue Bond - C.I.B. Loan

The Town bonded with the Community Impact Board of the State of Utah for \$108,000.00 in May 1990. This money was used to extend the water system to the Sweetwater area. These bonds, bearing an interest rate of 5%, are payable at a rate of \$8,666.20 due January 1 of each year for 20 years. The balance of the loan payable at 6-30-06 was \$25,949.86.

5. Water Revenue Bond Anticipation Note Series 2006

The Town is preparing to construct an extensive upgrade to its water treatment system. The State of Utah Department of Environmental Quality, Drinking Water Board loaned \$254,000.00 on June 19, 2006 to the Town. The Town will repay the Series 2006 notes on June 1, 2008 with interest at a rate equal to 2.31 per annum. The Town anticipates having refinanced the whole project by then and will use some of the proceeds to repay this obligation.

Schedule of Total Proprietary Debt

<u>Date</u>	<u>Principal & Interest</u>	<u>Balance</u>
6-30-07	71,265.60	811,934.60
6-30-08	325,265.60	486,669.00
6-30-09	65,398.20	421,270.80
6-30-10	65,398.20	355,872.60
6-30-11	65,398.20	290,474.40
Remaining	290,474.40	-

B. Notes Receivable from Developers

To retire bonded indebtedness, certain developers entered into contracts with the Town in the form of Notes (backed by land). These notes are being paid at 5% interest by developers to the Town. Some developers (due to bankruptcy or going out of business) have deeded to the Town, land in lieu of the note. This land has been carried at original note value or cost. During 1999, the Town updated these notes and land held in lieu of notes receivable and wrote them down to the 6-30-99 value of \$25,879.

	<u>Balance</u> <u>6-30-05</u>	<u>Additions</u>	<u>Collections</u>	<u>Balance</u> <u>6-30-06</u>
Notes				
Receivable	6,772		1,060	5,712
Land Held in				
Lieu of N/R	<u>25,879</u>			<u>25,879</u>
	<u>32,651</u>	<u>-</u>	<u>1,060</u>	<u>31,591</u>

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

C. Additions to Assets

Additions to Governmental Capital Assets

	<u>Beginning Balance</u>	<u>Net Additions</u>	<u>Net Depreciation</u>	<u>Ending Balance</u>
Land	52,083	192,738	-	244,821
Roads	192,739		5,698	187,041
Improvements	156,512	14,575	8,480	162,607
Equipment	40,981	28,379	7,157	62,203
RDA Roads	83,746	-	2,568	81,178
Totals	<u>526,061</u>	<u>235,692</u>	<u>23,903</u>	<u>737,850</u>

Additions to Enterprise Assets

	<u>Beginning Balance</u>	<u>Net Additions</u>	<u>Net Depreciation</u>	<u>Ending Balance</u>
Land	25,879			25,879
Building	19,239		(868)	18,371
Equipment	17,494		(2,499)	14,995
Water Line	<u>938,143</u>	<u>165,471</u>	<u>(55,757)</u>	<u>1,047,857</u>
Totals	<u>1,000,755</u>	<u>165,471</u>	<u>(59,124)</u>	<u>1,107,102</u>

D. Litigation

The Town is not presently in any active litigation, nor is any anticipated at this time.

E. Deposits and Investments

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

1. Custodial Credit Risk

Custodial credit risk for deposits is the risk in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006 \$642,406.93 of the local government's bank balance of \$742,406.93 is uninsured and uncollateralized.

2. Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balances.

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

For the year ended June 30, 2006, the local government had investments of \$1,582,851.28 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

All cash amounts used for checking are deposited in the Cache Valley Bank in Logan, Utah. All other cash is deposited with the Utah State Treasurer in the Public Treasurer's Investment Fund.

	Balance Per <u>Books</u>	Balance Per <u>Bank</u>
Deposits:		
Cache Valley Bank	570,234.89	731,276.38
Total Cash In Checking	570,234.89	731,276.38
Utah State Treasurer's PTIF	<u>1,477,745.65</u>	<u>1,477,745.65</u>
Sub Total Cash	2,047,980.54	2,209,022.03
Blended Component Unit		
RDA Checking	11,130.55	11,130.55
RDA PTIF	<u>93,975.08</u>	<u>93,975.08</u>
Sub Total RDA Cash	<u>105,105.63</u>	<u>105,105.63</u>
Total Cash	<u>2,153,086.17</u>	<u>2,314,127.66</u>

F. Class C Road Funds

During 2006 the Town received \$17,307.68 from the State for Class C Roads. The activity for these funds for the fiscal year ended 6-30-06 is as follows:

Received from State	17,307.68
Interest from Savings	<u>10,884.62</u>
Total Revenue	28,192.30
Expenditures	(19,863.28)
Excess Revenues over Expenditures	(8,329.02)
Restricted Cash	
Beginning Balance	-
Ending Balance	<u>8,329.02</u>

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

G. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Town to purchase insurance for these risks. Various policies are purchased through the Utah Local Government Trust to cover liability, theft, damages, and other losses. A minimal deductible applies to these policies which the Town pays in the event of any loss. The Town also has purchased a workers' compensation policy. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

H. Defined Benefit Pension Plan

Plan Description. The Town contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System) which is a cost sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 S. Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong. The Town of Garden City is required to contribute 10.51% of covered salary to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The Town of Garden City's contributions to the Noncontributory System for the years ending June 30, 2006, 2005, and 2004 respectively were; \$13,813.81, \$9,317.09, and \$8,055.58. The contributions were equal to the required contributions for each year.

TOWN OF GARDEN CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2006

I. Redevelopment Agency-(shown in financials as Special Revenue Fund)
In accordance with Section 17B-4-1305 of the Utah code, the City's redevelopment agency (RDA) is required to disclose the following information.

1. The RDA collected \$120,609.20 in tax increment.
2. Pursuant to Section 17B-4-1608, the RDA transferred \$5000.00 to the Garden City Fire District.
3. There is no outstanding debt from issuance of bonds or notes.

4. The amount expended for:	
a. aquisition of property	0.00
b. site improvement or preparation costs	0.00
c. water, road, and park improvement and public safety	0.00
d. administrative costs	<u>47,439.45</u>
	<u>47,439.45</u>

5. The RDA has made a low interest loan (3%) in the amount of \$150,000.00 to Qwist Gardens LLC for property renovation. The loan is to be repaid within twelve years. In 2006, the note was amended to capitalize interest of \$8545.00. Payments were received of \$8001.73 resulting in a balance of \$150,543.27 at 6-30-06.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GARDEN CITY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2006

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenue:</u>			
Taxes	205,476	257,500	52,024
Licenses and Permits	80,000	153,617	73,617
Intergovernmental Revenue	34,500	70,210	35,710
Charges for Services	175,845	214,924	39,079
Interest - Miscellaneous	<u>9,500</u>	<u>34,953</u>	<u>25,453</u>
Total Revenues	<u>505,321</u>	<u>731,204</u>	<u>225,883</u>
<u>Expenditures:</u>			
General Government	257,089	302,098	(45,009)
Public Safety	7,500	8,966	(1,466)
Highways and Streets	160,032	13,900	146,132
Culture and Recreation	69,500	39,567	29,933
Capital Outlay	<u>3,200</u>	<u>216,192</u>	<u>(212,992)</u>
Total Expenditures	<u>497,321</u>	<u>580,723</u>	<u>(83,402)</u>
Excess of Revenue over Expenditures	<u>8,000</u>	150,481	<u>142,481</u>
Net Interfund Transfers		-	
Fund Balance			
Beginning Balance		648,545	
Prior Period Adjustment		<u> </u>	
Ending Balance		<u>799,026</u>	

*The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF GARDEN CITY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET & ACTUAL
SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenue:</u>			
Taxes	109,386	120,609	11,223
Interest	<u>500</u>	<u>15,003</u>	<u>14,503</u>
Total Revenue	<u>109,886</u>	<u>135,612</u>	<u>25,726</u>
<u>Expenditures:</u>			
General Government	57,100	47,439	9,661
Public Safety	11,500	-	11,500
Highways and Streets	41,286	-	41,286
Culture and Recreation	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>109,886</u>	<u>47,439</u>	<u>62,447</u>
Excess of Revenue over Expenditures	<u>-</u>	88,173	<u>88,173</u>
Prior Period Adjustment		-	
Net Interfund Transfers		-	
Fund Balance			
Beginning Balance		<u>167,477</u>	
Ending Balance		<u>255,650</u>	

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET & ACTUAL
CAPITAL PROJECT FUND

FOR THE YEAR ENDED JUNE 30, 2006

	Original and Final Budget Amount	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenue:</u>			
Charges for Services	-	61,482	61,482
Interest	-	3,770	3,770
Grants	-	-	-
Total Revenue	-	65,252	65,252
<u>Expenditures:</u>			
Capital Projects	-	25,617	25,617
Total Expenditures	-	25,617	25,617
Excess of Revenue over Expenditures	-	39,635	39,635
Net New Bonds Payable		403,867	
Fund Balance		443,502	
Beginning Balance		84,446	
Ending Balance		527,948	

*The accompanying notes are an integral part of this statement.

TOWN OF GARDEN CITY
IMPACT FEES - COLLECTIONS AND USES

JUNE 30, 2006

	Impact Fee Collections			Uses of Impact Fees		
	<u>Roads</u>	<u>Parks</u>	<u>Water</u>	<u>Road</u>	<u>Parks</u>	<u>Water</u>
6-30-2000	2,707	2,707	3,112			
6-30-2001	4,861	4,861	5,164	7,569	5,907	8,066
6-30-2002	4,191	4,191	5,404		813	
6-30-2003	3,585	3,585	3,374	6,422	7,271	8,096
6-30-2004	5,988	5,988	6,386	2,127	2,127	57,550
6-30-2005	8,236	8,236	87,172		17,000	61,250
6-30-2006	<u>3,683</u>	<u>3,683</u>	<u>27,630</u>	<u>29,506</u>		
	33,251	33,251	138,242	45,624	33,118	134,962
Expended to Date	<u>45,624</u>	<u>33,118</u>	<u>134,962</u>			
Bal 6-30-2006	<u>(12,373)</u>	<u>133</u>	<u>3,280</u>			

INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS

GARY H. TEUSCHER
Certified Public Accountant
110 North 8th Street
Montpelier, Idaho 83254

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Council
Town of Garden City
Garden City, Utah 84028

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Garden City, Utah, as of and for the year ended June 30, 2006, which collectively comprise the Town of Garden City, Utah's basic financial statements and have issued my report dated December 12, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *GOVERNMENT AUDITING STANDARDS*, issued by the Comptroller General of the United States.

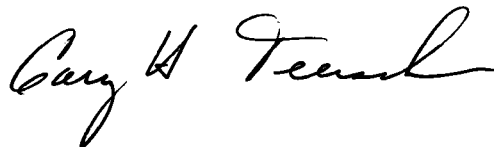
Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Town in a separate letter dated December 12, 2006.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *GOVERNMENT AUDITING STANDARDS*.

This report is intended solely for the information and use of the Town of Garden City, its management, Town Council, the Utah Legislative Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 12, 2006

GARY H. TEUSCHER
Certified Public Accountant
110 North 8th Street
Montpelier, Idaho 83254

INDEPENDENT AUDITOR'S REPORT ON
STATE OF UTAH LEGAL COMPLIANCE

Honorable Mayor and City Council
Town of Garden City
Garden City, Utah 84028

I have audited the financial statements of the Town of Garden City for the year ended June 30, 2006 and have issued my report thereon dated December 12, 2006. As part of my audit, I have audited the Town of Garden City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The Town has not received any other major or nonmajor grants during the fiscal year.

My audit also included testwork in the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements


The management of the Town is responsible for Garden City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and *GOVERNMENT AUDITING STANDARDS*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. I considered these instances of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

The results of my audit procedures disclosed that several line item expenditures in the General Fund were over budget.

In my opinion, Garden City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.



December 12, 2006

GARY H. TEUSCHER
Certified Public Accountant
Medical Arts Building
Montpelier, Idaho 83254

To the Honorable Mayor
and City Council
Garden City, UT 84028

In planning and performing my audit of the financial statements of the Town of Garden City for the year ended June 30, 2006, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure. During the performance of my audit, I noted no matters involving the internal control structure and its operation that I considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the Town of Garden City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I noted no reportable conditions that could be believed to be a material weakness.

I did, however, note certain matters involving the internal control structure and its operation that the Town should consider.

Budget Process

With regard to budgets, I encourage you to continue preparing reports each month that compare budget to actual amounts. This information will help to ensure that the budget process controls over-expenditure of budget items.

When it appears that expenditures in a line item of the budget such as capital expenditures for new equipment or improvements would over expend that line item, but not the entire budget, then the Town Council should vote to move budget amounts from say Road and Streets to Capital Expenditures so as not to over expend that line item. If the total budget is to be spent, then the formal opening of the budget along with a hearing would be necessary. Up to date accounting with budget to actual reports will help in this respect.

Misposting of Accounts

Several General Fund checks were posted to the Water Fund accounts and Water Fund checks posted to the General Fund account. The checks should always be posted to the correct fund account number. Review the posting to make sure only General Fund checks are posted in the 5000 accounts and Water Fund checks are posted in the 6000 accounts. This will make the computer generated financial statements more correct.

Also, all transfers of money from one fund to another fund should be done by check after transferring the money into the appropriate fund checking account from the PTIF account. This will allow for transfers between funds to be posted correctly.

Approval of Expenditures

During the course of the audit several expenditures did not have approval vouchers filed with the other vouchers. I would recommend that all expenditures have a voucher attached to the invoice and that it be signed as indicated by the internal control procedures.

It is in the interest of the Management and the Town Council to do everything possible to safeguard assets of the Town. This can be accomplished by continuing efforts by all concerned to segregate duties, combine duties, and assign duties to both clerks and or to council members in such a way that errors and irregularities would be detected, and corrected by employees of the Town.

This report is intended solely for the information and use of the Mayor and Town Council, Management and the Legislative Auditor. This restriction is not intended to limit distribution of this report, which is a matter of public record.


Gary H. Teuscher

December 12, 2006



Town of Garden City

P.O. Box 207
145 West Logan Road
Garden City, Utah 84028

January 3, 2007

Mr. Gary H. Teuscher, CPA
Medical Arts Building
Montpelier, ID 83254

Dear Mr. Teuscher:

The Town Council of Garden City, Utah has reviewed your letter dated December 12, 2006 and the comments made during the delivery of the audit to the Town Council at their meeting held on December 14, 2006. We continue to look for ways to strengthen our internal controls. We create a monthly report to keep the Council informed of over-expenditures so they can take the proper and necessary steps to cover them. Also, we will closer monitor the checks and deposits to make sure they are charged or credited to the correct fund. We will continue to try to find ways to strengthen our internal controls and will implement your suggestions.

The Town of Garden City is proud of its financial situation and we feel that our system is providing excellent control of the assets of the Town. We will continue to assess your suggestions and implement any changes that are warranted in the future.

We appreciate your time and effort on our Town's audit.

Sincerely,

Kenneth Hansen
Mayor

cc: Utah State Auditor